



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

JAN 31 2007

# DoD Inspector General Report

---

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

**SUBJECT: Audit of National Guard and Reserve Controls Over  
Recruitment Incentives**

**Objective(s).** We performed this audit in response to a congressional request. The overall objective of the audit was to determine whether controls over cash incentive programs are adequate. Specifically, we determined whether cash incentives to Guard and Reserve members who identify and aid in enlisting new recruits are being used effectively and for their intended purposes.

**Scope and Methodology.** We performed this audit from July 2006 through December 2006 in accordance with generally accepted government auditing standards.

We visited, contacted, or conducted interviews with officials from the following organizations: Chief, National Guard Bureau; Headquarters, Department of the Army, Office of the Deputy Chief of Staff for Personnel (G-1); Army Recruiting Command; Chief of Army Reserve; Chief of the Navy Reserve Force; Commander, Air Force Reserve; Commander, Marine Reserve Forces; Army National Guard; and Defense Finance and Accounting Service (DFAS).

We reviewed Public Law 109-163, "National Defense Authorization Act for Fiscal Year 2006," January 6, 2006, which authorized the Department of the Army to establish a cash incentive program for referrals. In addition, we reviewed the U.S. House of Representatives Report 109-702 (H.R. 109-702), "CONFERENCE REPORT TO ACCOMPANY H.R. 5122, JOHN WARNER NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2007," September 29, 2006. We reviewed Army Memorandum, "Referral Bonus Pilot Program," January 12, 2006, which outlines the roles and responsibilities for the Army Recruiting Command, Army National Guard, and DFAS in executing the referral bonus pilot program. The pilot cash incentive program will terminate on December 31, 2007.

We reviewed the Army Recruiting Command's controls of the \$1,000 (\$1K) referral bonus by observing the verification process. Specifically, we observed examples of each step of the verification process from submitting a referral to paying a sponsor.

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

We confirmed that the Navy, the Air Force, and the Marine Corps do not have cash incentive programs for referrals.

**Results-In-Brief and Effect.** The Army Recruiting Command and National Guard Bureau implemented safeguards and is effectively managing the Referral Bonus Pilot Program in accordance with Public Law 109-163 and Army guidance. The key controls used by the Army Recruiting Command for the \$1K Referral Bonus are: the sponsor and the potential soldier are asked a series of questions, which determines the initial eligibility for the program; the Army Training Requirement and Resources System monitors and determines whether the potential soldier graduated from basic and advanced individual training; and the recruiter waits until 14 days after the individual completes the advanced training to determine that a recruit's graduation status has not changed before DFAS pays the sponsor.

In addition, the key controls that the Army National Guard uses consist of entering no more than 10 referrals per sponsor; accessing the Army Training Requirement and Resources System to monitor and determine that the potential soldier graduated from basic and advanced individual training before authorizing payment; and verifying that no additional referral bonus has been issued to sponsors under other incentive programs.

As of October 31, 2006, the Army received 16,203 referrals, and paid 260 sponsors. On September 29, 2006, H.R. 109-702 increased the amount of the bonus to \$2,000 and expanded the eligibility of who could submit referrals to include Department of the Army civilian personnel. As a result of the expanded eligibility to submit referrals, we recommend that the U.S. Army Recruiting Command and National Guard Bureau review the ability of the current controls and procedures to determine whether they can accommodate an anticipated growth in the number of referrals.

**Management Comments and Audit Response.** Headquarters, U.S. Army Recruiting Command concurred with the recommendations. The Deputy Assistant Chief of Staff, G-3, stated that reviews of existing controls are conducted continually and they are currently gathering requirements for the development of reports for this program. Although the Deputy Assistant Chief of Staff concurred with the recommendations it is unclear whether the continual review of existing controls and processes or the development of reports will address whether those manual processes can be automated. Therefore, we request that the Deputy Assistant Chief of Staff, G-3, provide additional comments on initiatives that will assess potential automation of existing manual processes by February 26, 2007.

The National Guard Bureau did not comment on the recommendations. We request that the National Guard Bureau provide comments on the final report by February 26, 2007. See Attachment 1 for the complete text of the U.S. Army Recruiting Command comments.

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

## **Results and Effect on Operations**

The Army Recruiting Command and National Guard Bureau implemented safeguards and managed the Referral Bonus Pilot Program effectively. They developed processes and procedures in accordance with Public Law 109-163 and an Army memorandum to execute this program.

---

### **Background.**

Section 645 of the National Defense Authorization Act for FY 2006 (Public Law 109-163) authorizes the Secretary of the Army to pay a bonus to members of the Army, Army Reserve,<sup>1</sup> and Army National Guard<sup>2</sup> who help recruiting by referring potential enlisted soldiers. Army Memorandum, "Referral Bonus Pilot Program," January 12, 2006, establishes policy for the Army's pilot program. The Army and the Army Reserve implemented the policy by establishing the "\$1K Referral Program," and the Army National Guard established the "Every Soldier a Recruiter" (ESAR) program. In this report, we call the person who refers a potential soldier the sponsor.

Immediate family members and members of the Army serving in a recruiting or retention assignment are not eligible to participate in this program. In addition, the potential soldier cannot be in any stage of processing for enlistment or have previously served in the military. At the time of our review, the bonus was \$1,000, payable in a lump sum to the sponsor when the referred soldier completed basic training and advanced individual training. Public Law 109-163 prohibits bonuses after December 31, 2007.

The Referral Bonus Pilot Program became effective on January 18, 2006. The Army made three modifications, which occurred in February, April, and June 2006. The first modification expanded eligibility to soldiers in the Hometown Recruiter Assistance, Special Recruiter Assistance, and Active Duty for Special Work programs. The second modification expanded eligibility to the Future Soldier Training Program.<sup>3</sup> The third modification allowed Army retirees to participate in the program as sponsors.

The Army's Office of the Deputy Chief of Staff for Personnel was responsible for developing the policy for the cash incentive program. Based on Army Memorandum, "Referral Bonus Pilot Program," January 12, 2006, the Army Recruiting Command administers the \$1K Referral Program, the Army National Guard administers the ESAR program, and the Defense Financial Accounting Service (DFAS) disburses the cash bonuses. According to an Army official, the budget for the Referral Bonus Pilot

---

<sup>1</sup>The mission of the Army Reserve is to complement the Active Component by providing combat support and combat service support functions.

<sup>2</sup>The National Guard has a unique dual mission with Federal and state roles.

<sup>3</sup>Refer to the "Glossary of Terms," in the report for an explanation of Hometown Recruiter Assistance, Special Recruiter Assistance, Active Duty for Special Work, and the Future Soldier Training Program.

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

Program is \$1 million for FY 2006 (1,000 projected referrals multiplied by \$1,000 for each referral). Funds used for the Referral Bonus Pilot Program in FY 2006 were from the Military Personnel Army, Reserve Personnel Appropriation, and National Guard Pay and Allowance.

## **Audit Results.**

**\$1K Referral Bonus.** The referral process for the Army and the Army Reserve is outlined in Army Recruiting Command message 06-150, "Update and Expansion of the 'REFERRAL BONUS' PILOT PROGRAM," June 2, 2006. The process begins when a sponsor sends information to the Army Recruiting Command by accessing the Sergeant Major of the Army Recruiting Team website,<sup>4</sup> calls the Army Recruiting Command phone number dedicated to the program, or takes a recruit to a recruiting station. To submit a referral, sponsors must create a profile with their personal information and the personal information of their potential soldier.<sup>5</sup> The personal information includes name, address, phone number, date of birth, social security number, and a series of questions for the sponsor. This information allows the Army Recruiting Command to determine whether both the sponsor and the potential soldier are eligible for the \$1K Referral Bonus. Once a sponsor submits a potential soldier, the potential soldier begins the Army's recruiting process. The sponsor will receive periodic notification of the potential soldier's status. If the potential soldier chooses not to enlist, or does not complete basic and advanced individual training, the process is terminated and no payment is made.

The Army Recruiting Command developed a business model process for managing referrals. First, a file is generated each day from the website listing the referrals submitted in the previous 24 hours. The Army Recruiting Command, Plans Division, manually checks the list to eliminate duplicate entries and verify eligibility for the \$1K Referral Program. Each morning, the Army Recruiting Command Lead Refinement Center<sup>6</sup> contacts the potential soldier to verify personal data and set up a meeting with a recruiter. If contact is not made with the potential soldier, the information is forwarded to a recruiting station. The Army Recruiting Command maintains a file for each referral to monitor the potential soldier's status from enlistment to graduation from basic and advanced individual training. The potential soldier's personnel file is updated after each status change or contact. Specifically, the Army Recruiting Command uses the Guidance-Counselor-Redesigned System to monitor enlistment dates and basic training departure dates and uses the Army Training Requirement and Resources System to monitor basic and advanced individual training graduation dates. In addition, an Army Recruiting Command official reviews questionable referrals on a case-by-case basis. For example, if two sponsors submit a referral for the same potential soldier on the same day, an Army Recruiting Command official will perform a review to determine which sponsor

---

<sup>4</sup>Sergeant Major of the Army Recruiting Team website is located at [https://smart.goarmy.com/dana-na/auth/url\\_6/welcome.cgi](https://smart.goarmy.com/dana-na/auth/url_6/welcome.cgi)

<sup>5</sup>A "potential soldier" is a person that has shown interest in joining a component of the Army, but has not been referred to or committed to the Army.

<sup>6</sup>The Lead Refinement Center is a component of the Army Recruiting Command responsible for performing the initial pre-screening process and maintaining the disposition of referrals.

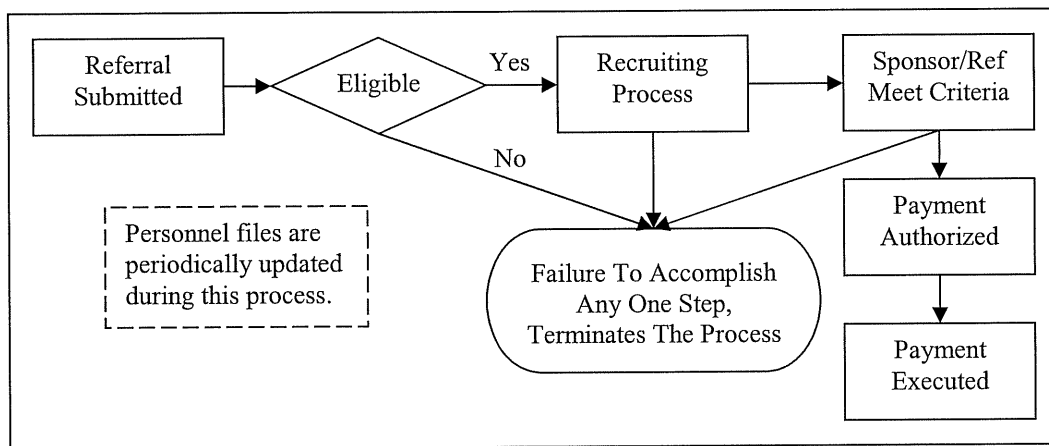
**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

will be credited for the referral. If a referred recruit does not meet the eligibility requirements or graduates from basic training and advanced individual training, the process is terminated and no payment is made to the sponsor.

The Army Recruiting Command issues a memorandum to DFAS authorizing payment when a recruit completes advanced individual training. There is a 14 day waiting period to determine that there is no change in the potential soldier's graduation status. The Army Recruiting Command performs a final check to verify graduation and forwards a memorandum to DFAS authorizing payment of \$1,000 to the sponsor. DFAS receives a memorandum authorizing the incentive bonus and pays the sponsor. DFAS will initiate an electronic funds transfer to pay the sponsor and submit a monthly report to the Army Recruiting Command identifying that month's transactions. The Army Recruiting Command performs all program controls and it uses the monthly DFAS report to determine whether all authorized payments were completed. The following flow chart displays how the Army Recruiting Command manages referrals.



### **The Army Recruiting Command's Management of the \$1K Referral Bonus**

**ESAR.** The Every Soldier a Recruiter (ESAR) program is the Army National Guard's version of the Referral Bonus Pilot Program. ESAR pays a \$1,000 bonus to Army National Guard members or retirees who help the recruiting process by referring a potential soldier. To be eligible, referred individuals must have no prior military service and may not be a member of the sponsor's immediate family. Referrals may be to any Component of the Army (Active, Reserve, or Army National Guard).

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

Officials in the National Guard Bureau's Army Strength Management office implemented several additional controls to administer the ESAR program properly.

- A sponsor may have no more than 10 referrals pending at a time.
- Sponsors must furnish a potential soldier's name, date of birth, and social security number to establish that the sponsor actually knows the potential soldier.

In addition, the ESAR program established controls for sponsors. Specifically, all personnel involved in the recruiting and retention process are prohibited from participating in the program, and some states prohibit teachers and guidance counselors from participating in the program.

The referral process starts when a soldier in the National Guard refers a candidate for service by sending the required information to the National Guard website (<http://www.1800goguard.com/esar/>), or calls 1-800-GO-Guard providing the potential soldier's information over the phone. The potential soldier is then contacted by a National Guard recruiter and processed according to normal recruitment procedures. The National Guard Bureau-Army Strength Management office then forwards the sponsor's information to the National Guard Bureau-Army Manpower office.

The National Guard Bureau-Army Manpower office first checks the Army Personnel database and Guard database to verify that the referee is not a member of the Army or Army National Guard. Then the National Guard Bureau-Army Strength Management office checks the Army Training Requirement Resource System and the Initial Entry Training/Request Operation Center database weekly to determine when the potential soldier completes basic and advanced individual training. Once the potential soldier graduates, the National Guard Bureau-Army Strength Management office checks the Guard Recruiting Assistance Program database to verify that the referral was not also made under that program. Upon verification that the sponsor has not been paid under the Guard Recruiting Assistance Program, the National Guard Bureau-Army Strength Management office prepares a memorandum requesting DFAS to pay the sponsor.

As of November 2006, National Guard Bureau personnel stated that a procedure had not been established to notify the National Guard Bureau when DFAS completes the process by making a payment. National Guard Bureau personnel stated that they have to manually request verification of payment to sponsors.

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

**Program Status.** As of October 31, 2006, the \$1K Referral Bonus Program and ESAR program received 16,203 referrals for the \$1,000 Referral Bonus. A total of 2,461 referrals enlisted and are in training. Two hundred and sixty sponsors were paid under the Referral Bonus Pilot Program as of October 31, 2006. The following table depicts program statistics.

<b>Program Statistics</b>			
(Through October 31, 2006)			
	<u>Referrals</u>	<u>Contracted</u>	<u>Paid</u>
Army	8,482	1087	65
Army Reserve		406	64
Army National Guard	7,721	968	131
<b>Total</b>	16,203	2,461	260

A referred potential soldier is a person that has shown interest in joining a component of the Army, but has not committed; a person in the contracted category has signed an enlistment contract with the Army and is eligible to start or continue training.

**Legislative Changes.** H.R. 109-702 stated an increase in the amount of the referral bonus from \$1,000 to \$2,000 was to be paid in two lump sums. The report states that \$1,000 will be paid when the recruit completes basic training and the other \$1,000 will be paid when the recruit completes basic and advanced individual training. In addition, the report identified that civilian employees of the Department of the Army now would be eligible to submit referrals, but the Instructors in the Junior Reserve Officers' Training Corps are not. To increase the number of people who are eligible to make a referral, the Army Recruiting Command and National Guard Bureau should review existing controls to determine whether proper safeguards are in place to handle the anticipated growth in the number of referrals.

**Program Growth.** As of September 29, 2006, H.R. 109-702 indicated an increase in the number of individuals eligible to submit a referral, which is likely to increase the number of referrals. The Army Recruiting Command and National Guard Bureau rely on manually processed data for their respective versions of the Referral Bonus Pilot Program. As the volume of referrals increases, the manual processes and procedures that the Army Recruiting Command and National Guard Bureau use may not be adequate. However, National Guard Bureau officials were reluctant to devote resources to develop permanent controls for a pilot program with an uncertain future.

**Conclusion.** Although the Army Recruiting Command and Headquarters, National Guard Bureau implemented security and oversight procedures to operate the program in accordance with policy, they need to consider alternatives that will accommodate program growth.

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

## **Recommendation**

1. To accommodate the increasing number of eligible people for the referral bonus program, as directed by United States House of Representatives Report 109-702, we recommend that the Army Recruiting Command and the National Guard Bureau:

- a. review existing program controls and update those controls as needed, and
- b. review manual processes to determine whether they can be automated.

## **Management Comments Required**

Headquarters, U.S. Army Recruiting Command concurred with the recommendations. The Deputy Assistant Chief of Staff, G-3, stated that reviews of existing controls are done continually and they are currently gathering requirements for the development of reports for this program. Reports are due to be released in May 2007. Management comments to Recommendation 1.a. meet the intent of our requirements. However, it is unclear whether the continual review of existing controls and processes or the development of reports will address Recommendation 1.b. We request that the Deputy Assistant Chief of Staff, G-3, provide additional comments on initiatives that will assess potential automation of existing manual processes by February 26, 2007.

The National Guard Bureau did not comment on the recommendations. We request that the National Guard Bureau provide comments on the final report by February 26, 2007.

We appreciate the courtesies extended to the staff. Please direct your questions to Mr. Donald A. Bloomer at (703) 604-8863 (DSN 664-8863) or Mr. Michael J. Roark at (703) 604-9187 (DSN 664-9187).

By direction of the Assistant Inspector General for Auditing:



Wanda A. Scott  
Assistant Inspector General  
Readiness and Operations Support

Attachment: as stated



**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

## **Glossary of Terms**

**Army Training Requirements and Resources System.** The Army Training Requirements and Resources System is the Army's Management Information System for student input to training. The online system supports the planning, programming, budgeting, and execution phases of the training process. In addition, the Army Training Requirements and Resources System is the central authoritative source for all data and statistics that affect the total Army input to training. Specifically, the Office of the Army G-1 - Training Requirements Division relies on the Army Training Requirements and Resources System in its mission to manage the training for the Army.

**Guidance Counselor Redesign.** Guidance Counselor Redesign is a web-based application to process applicants for enlistment. Guidance counselors access the Guidance Counselor Redesign system to complete an electronic enlistment packet. The electronic enlistment packet allows the Army Recruiting Command to review an applicant's enlistment packet at any time.

**Hometown Recruiter Assistance Program.** The Hometown Recruiter Assistance Program supports the Army's belief that everyone has the responsibility to assist in the Army's recruiting efforts. This is accomplished by achieving the Chief of Staff of the Army's guidance on Army support to recruiting. The Hometown Recruiter Assistance Program is allowing new soldiers the opportunity to bridge the gap with America's youth while telling their Army story in their community and allowing soldiers, officers, and enlisted the opportunity to further reinforce the Army's commitment to excellence. Encouraging regular Army Noncommissioned Officers to participate in the Hometown Recruiter Assistance Program is a means to assist and experience recruiting within the U.S. Army Recruiting Command. A soldier participating in the Hometown Recruiter Assistance Program is not a recruiter and does not fill a permanent position in the recruitment field.

**Special Recruiter Assistance Program.** Participants in the Special Recruiter Assistance Program are not recruiters and do not fill a permanent position in the recruitment field; they are targeted to attract potential recruits to Reserve officer training corps at their alma mater and share experiences with their local communities. They are used to share the value of their Army experience to cadets in any manner determined by the professor of military science. As graduates of their universities, they often have access to groups that permanent recruiting staffs do not. They will assist the professor of military science in myriad activities to support recruiting and retaining soldiers.

**Active Duty for Special Work.** Active Duty for Special Work is a tour of active duty for Reserve personnel authorized from military and Reserve personnel appropriations for work on Active or Reserve Component programs that would include annual screening, training camp operations, training ship operations, and unit conversion to new weapon systems when such duties are essential. Active Duty for Special Work may also be authorized to support study

**Date: January 31, 2007**

**Report No.: D-2007-053**

(Project No: D2006-D000LA-0228.000)

groups, training sites and exercises, short-term projects, and administrative or support functions. By policy, active duty for special work tours are normally limited to 179 days or less in one fiscal year. Tours exceeding 180 days are accountable against active duty end strength.

**Future Soldier Training Program.** The Future Soldier Training Program is designed to prepare men and women mentally and physically in transferring from civilian to military life. Specifically, a future soldier is one who has enlisted in the Army, but has not started basic training. The Future Soldier Training Program is intended to familiarize a future soldier with the tasks they will encounter during the initial phases of basic training.

Date: January 31, 2007

Report No.: D-2007-053

(Project No: D2006-D000LA-0228.000)



REPLY TO  
ATTENTION OF

RCRO-PP

DEPARTMENT OF THE ARMY  
HEADQUARTERS, UNITED STATES ARMY RECRUITING COMMAND  
1307 THIRD AVENUE  
FORT KNOX KY 40121-2725

24 January 2007

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 400  
ARMY NAVY DRIVE, ARLINGTON, VA 22202-4702

SUBJECT: Audit of National Guard and Reserve Controls over Recruitment Incentives, Project  
Number: D2006-D000LA-0228.000

1. Concur with comment.
2. HQ USAREC, G-3 consistently reviews and updates the business process model on this program as changes occur. Review of the existing controls is done continually and adjustments are made accordingly to ensure compliance with current policy issued by Army G-1.
3. USAAC ISA and HQ USAREC, G-3 are currently gathering requirements for the development of reports for this program. Reports are due to be released during Phase III of the ARS-SMART development cycle which is projected for release in May 2007.
4. POC for this program is Mrs. Victoria Sorensen, DSN 536-0481, commercial (502) 626-0481, or e-mail [victoria.sorensen@usarec.army.mil](mailto:victoria.sorensen@usarec.army.mil).

FOR THE COMMANDER:

A handwritten signature in black ink, appearing to read "Frank A. Shaffery".

FRANK A. SHAFFERY  
Deputy Assistant Chief of Staff, G-3

"ARMY STRONG"

Attachment 1